


Resilient Growth, Short-term Challenges Remain; Maintain HOLD
Est. Vs. Actual for Q1FY26: Revenue – MISS; EBITDA – MISS; PAT – MISS
Changes in Estimates post Q1FY26
FY26E/FY27E: Revenue: -1%/-2%; EBITDA: -5%/-8%;
Recommendation Rationale

- **Resilient growth:** Consolidated revenue grew 9% YoY, led by strong traction in Ethnic (+25% YoY) and TMRW (+38% YoY), offset by muted Pantaloons performance due to Eid shift and store closures. Profitability improved, with gross margins expanding 411 bps YoY to 57.3% and EBITDA rising to Rs 112 Cr, translating into 6.1% margin (+75 bps YoY). Ethnic margins expanded sharply (+1600 bps), while Pantaloons and TMRW remained stable. Double-digit LTL growth in occasion wear brands, along with 30+ new store additions, further reinforced momentum.
- **Demand Outlook:** Demand improved on the back of a strong wedding season and healthy brand performance in Q1FY26. With an early festive season, ABFRL is well-positioned to capture growth, supported by its omnichannel presence and focus on profitable, consumer-led expansion.

Sector Outlook: Cautious
Company Outlook & Guidance: Short-term challenges persist; meanwhile, post-demerger, near-term execution will be crucial to unlocking value. We maintain a cautious stance and **reiterate our HOLD rating.**
Current Valuation: 13xMar'27 EV/EBITDA (Earlier Valuation: 13xMar'27EV/EBITDA)

Current TP: Rs 75/share (Earlier: Rs 85/share)
Recommendation: With a 0% upside from the CMP, we **maintain our HOLD rating.**
Financial Performance:

The company's consolidated revenue stood at Rs 1,831 Cr, up 9.4% YoY, driven by growth across segments. EBITDA came in at Rs 112 Cr, with EBITDA margins at 6.1%, expanding by 75 bps YoY, driven by sharp margin expansion in Ethnic segments. It reported a negative PAT of Rs 234 Cr, impacted by increased depreciation.

Capex Outlook: The company's capex for FY26 is guided at ~Rs 500 Cr, including one-time investment for the Gallery Refined store slated to open by year-end. Excluding this one-time outlay, recurring capex across businesses is expected at ~Rs 300 Cr.

Outlook

The management's renewed focus on profitability marks a positive shift. Its strategy of expanding the product lineup through new launches and acquisitions, strengthening brand positioning, and driving digital transformation to increase online sales, including next-generation, digital-first brands under the technology-driven 'House of D2C Brands' venture, TMRW, should support long-term growth. However, these initiatives will take time to yield full results. Meanwhile, post-demerger, near-term execution will be key to unlocking value. Hence, we adopt a "wait and watch" approach and **maintain our HOLD rating on the stock with a revised TP of Rs 75/share, implying a 0% upside from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	1,831	6.5	9.4	2,571	(28.8)
EBITDA	112	(45.5)	24.7	338	(67.0)
EBITDA Margin (%)	6.1	-582bps	75bps	13.2	-707bps
Net Profit	(234)	45.2	(1.7)	(56)	315.1
EPS (Rs)	(1.9)	45.2	(18.2)	(0.5)	315.1

Source: Company, Axis Securities Research

 (CMP as of 14th August, 2025)

CMP (Rs)	75
Upside /Downside (%)	0%
High/Low (Rs)	364/72
Market cap (Cr)	9,153
Avg. daily vol.(6m) Shrs.'000	8427
No. of shares (Cr)	122

Shareholding (%)

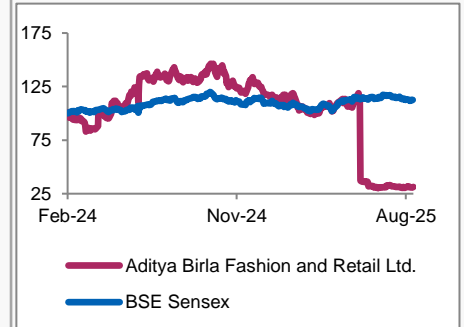
	Dec-24	Mar-25	Jun-25
Promoter	49.2	46.6	46.6
FIs	18.1	21.8	17.3
MFs / UTI	11.2	10.3	9.9
FIs / Banks	0.0	0.0	0.0
Others	21.6	21.3	26.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	7,355	8,384	9,642
EBITDA	676	836	997
Net Profit	-704	-600	-481
EPS (Rs)	(6.5)	(4.9)	(3.9)
EV/EBITDA (x)	12.2	9.8	8.1
P/BV (x)	1.3	1.5	1.6
ROE (%)	(11.5)	(9.7)	(8.4)

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-1%	-2%
EBITDA	-5%	-8%

Relative Performance


Source: Ace Equity, Axis Securities

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Other Concall Key Highlights

1. Segmental Performance of ABFRL:

- a) **Pantaloon Segment:** Pantaloons reported revenue of Rs 1,094 Cr in Q1FY26, with normalised LTL growth of 3%, though headline growth was impacted by store closures and the shift in Eid. Segment EBITDA margin stood at 17.1%. Style Up delivered strong traction with 36% YoY growth and expanded its network to 49 stores. E-commerce sales grew 32% YoY, supported by impactful digital campaigns, while Pantaloons continued to enhance consumer engagement through refreshed retail identity, curated assortments, and an integrated omnichannel experience. Pantaloon's retail network now stands at 405 stores.
- b) **Ethnic Brands:** ABFRL's ethnic portfolio delivered strong growth in Q1, led by designer brands and premium ethnic wear. The designer-led portfolio grew 79% YoY (45% ex-GFPL), with ~40% LTL growth in Sabyasachi and GFPL, alongside 440+ bps margin expansion, reaffirming leadership in luxury occasion wear. In the premium segment, TASVA posted 72% YoY growth and 39% LTL, driven by a buoyant wedding season and enhanced retail experience. TCNS continued its transformation with ~4% retail LTL growth and improved profitability through cost optimisation and store rationalisation. Jaypore expanded its network to 36 stores with 7 new additions.
- c) **Luxury Retail:** Luxury Retail, comprising The Collective and mono brands, posted modest single-digit YoY growth in a weak demand environment while sustaining double-digit profitability. The Collective's online platform continued to gain traction, with e-commerce contributing over 20% of sales, reinforcing its position as a premier destination for luxury and bridge-to-luxury fashion. The format expanded its footprint with three new store openings in Q1, taking the total network to 44 stores.
- d) **TMRW:** TMRW reported robust 38% YoY revenue growth in Q1FY26, driven by a broadened product portfolio, strengthened D2C presence, and high-impact brand campaigns. The portfolio accelerated offline expansion, closing the quarter with 25 exclusive stores across nine cities. Execution continues to be supported by TMRW's end-to-end Centre of Excellence, enabling scalable brand growth. During the quarter, TMRW also secured its first external investment of Rs 437 Cr from ServiceNow Ventures, whose advanced AI and automation capabilities will further strengthen the platform's tech backbone.

Key Risks to Our Estimates and TP

- Increase in competitive intensity.
- Weakening of the demand environment.

Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	8,458	9,811	8,384	9,642	-1%	-2%
EBITDA	876	1,089	836	997	-5%	-8%

Source: Company, Axis Securities

Results Review

Rs Cr	Q1FY25	Q4FY25	Axis Sec	Q1FY26	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est
Total Revenue	1,674	1,719	2,571	1,831	9.4	6.5	(28.8)
COGS	783	633	951	781	(0.2)	23.4	(17.9)
Gross Profit	891	1,086	1,620	1,050	17.8	(3.3)	(35.2)
GM%	53.2	63.2	63.0	57.3	411bps	-584bps	-566bps
Expenditure							
Employee expenses	252	282	493	303	20.3	7.4	(38.5)
Other Exp	550	599	788	635	15.6	6.0	(19.4)
Total Expenditure	1,585	1,515	2,232	1,720	8.5	13.5	(23.0)
EBIDTA	90	205	338	112	24.7	(45.5)	(67.0)
EBITDA Margin (%)	5.3	11.9	13.2	6.1	75bps	-582bps	-707bps
Depreciation	274	302	317	316	15.4	4.7	(0.3)
EBIT	(184.1)	(96.7)	21.8	(203.9)	10.8	110.9	(1033.6)
Interest	132	143	151	113	(14.2)	(20.9)	(24.7)
Oth. Inc.	34	96	53	64	88.4	(33.7)	20.8
Exceptional Items	-	-	-	-	0.0	0.0	0.0
Share of profits	(0)	(5)	-	(6)			
PBT	(283)	(150)	(76)	(260)	(8.2)	73.5	241.0
Tax	(45)	11	(20)	(26)	(42.6)	(327.2)	30.3
Effective Tax Rate (%)	15.9	(7.6)	26.0	9.9	-594bps	1751bps	-1607bps
PAT	(238)	(161)	(56)	(234)	(1.7)	45.2	315.1
PAT Margin (%)	(14.21)	(9.36)	(2.19)	(12.76)	145bps	-340bps	-1057bps
EPS (Rs)	(2.3)	(1.3)	(0.5)	(1.9)	(18.2)	45.2	315.1

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Dec	FY24	FY25	FY26E	FY27E
Net sales	6,441	7,355	8,384	9,642
Growth, %	-48.1	14.2	14.0	15.0
Other operating income	0	0	0	0
Total income	6,441	7,355	8,384	9,642
Raw material expenses	-3,094	-3,177	-3,590	-4,093
Employee expenses	-1,006	-1,142	-1,291	-1,484
Other Operating Expenses	-1,972	-2,359	-2,668	-3,068
EBITDA (Core)	370	676	836	997
Growth, %	(75.2)	82.8	23.6	19.3
Margin, %	5.7	9.2	10.0	10.3
Depreciation	-1,017	-1,166	-1,212	-1,263
EBIT	-647	-490	-376	-266
Growth, %	(342.6)	(24.3)	(23.2)	(29.4)
Margin, %	(10.0)	(6.7)	(4.5)	(2.8)
Other Income	138	196	122	127
Non-recurring Items	0	161	0	0
Pre-tax profit	-1,061	-701	-810	-650
Tax provided	141	94	211	169
Profit after tax	-920	-606	-600	-481
Net Profit	-907	-624	-600	-481
Growth, %	1,425.2	(13.4)	(23.7)	(19.8)
Unadj. shares (Cr)	156	122	122	122

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY24	FY25	FY26E	FY27E
Cash & bank	462	773	804	935
Debtors	1,283	373	426	490
Inventory	4,505	2,454	2,798	3,218
Loans & advances	0	0	0	0
Other current assets	1,585	866	866	866
Total current assets	8,717	6,061	6,488	7,103
Investments	108	159	159	159
Gross fixed assets	16,669	15,374	15,874	16,424
Less: Depreciation	-4,800	-5,976	-7,189	-8,452
Add: Capital WIP	171	181	181	181
Net fixed assets	12,040	9,579	8,867	8,154
Non-current assets	1,577	825	825	825
Total assets	21,784	16,232	15,946	15,849
Current liabilities	6,952	3,621	3,935	4,318
Provisions	0	0	0	0
Total current liabilities	6,952	3,621	3,935	4,318
Non-current liabilities	10,121	5,797	5,797	5,797
Total liabilities	17,074	9,418	9,732	10,116
Paid-up capital	1,015	1,220	1,220	1,220
Reserves & surplus	3,007	5,592	4,992	4,511
Shareholders' equity	4,710	6,813	6,214	5,733
Total equities & Liabilities	21,783	16,231	15,946	15,848

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25	FY26E	FY27E
Pre-tax profit	-1,061	-701	-810	-650
Depreciation	1,017	1,166	1,212	1,263
Change in working capital	32	-457	-82	-100
Total tax paid	805	-172	211	169
Cash flow from operating activities	794	-163	531	682
Capital expenditure	-4,494	1,295	-500	-550
Change in marketable securities	-698	-714	0	0
Cash flow from investing activities	-5,216	531	-500	-550
Free cash flow	-4,422	367	31	132
Equity raised/(repaid)	66	205	0	0
Dividend (incl. tax)	0	0	0	0
Cash flow from financing activities	2,663	-3,265	0	0
Net change in cash	-1,759	-2,898	31	132
Opening cash balance	701	462	773	804
Closing cash balance	462	773	804	935

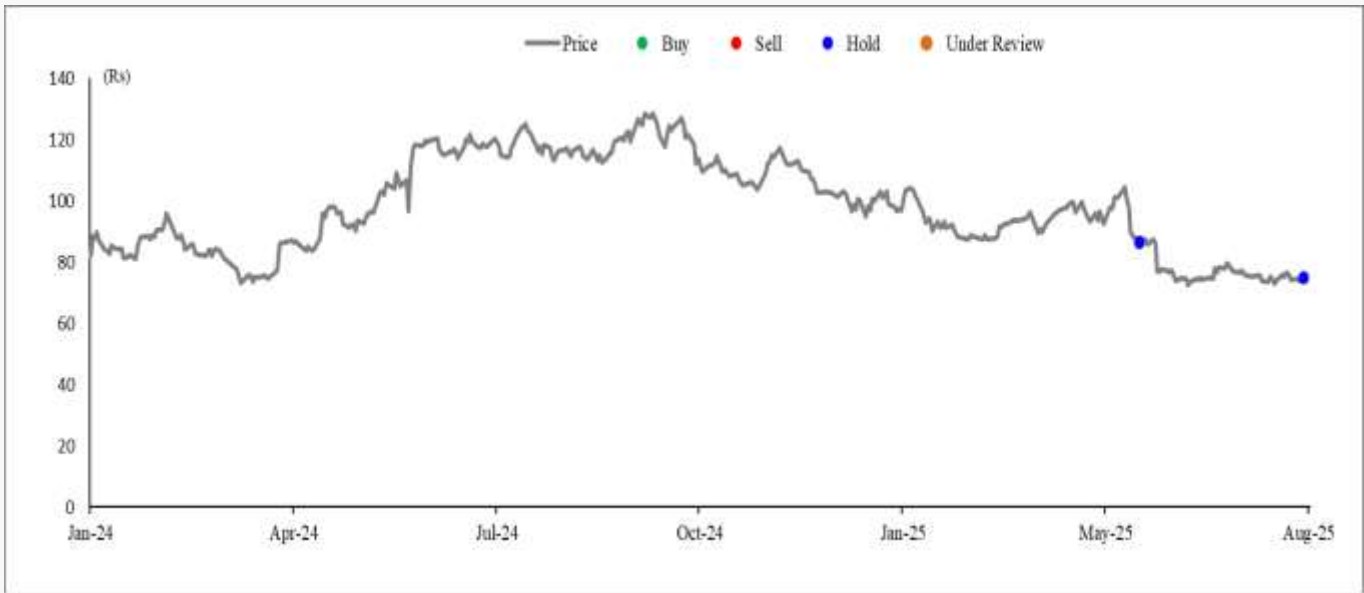
Source: Company, Axis Securities

Ratio Analysis
(%)

	FY24A	FY25	FY26E	FY27E
Per Share data				
EPS (Rs)	(6.5)	(6.5)	(4.9)	(3.9)
Growth, %	1,433.4	10.5	(23.7)	(19.8)
Book NAV/share (Rs)	25.8	55.8	50.9	47.0
FDEPS (Rs)	(5.8)	(6.4)	(4.9)	(3.9)
CEPS (Rs)	0.7	1.8	5.0	6.4
CFPS (Rs)	6.5	(9.1)	3.3	4.5
DPS (Rs)	-	-	-	-
Return ratios				
Return on assets (%)	(1.9)	(0.2)	(0.3)	0.2
Return on equity (%)	(22.5)	(11.5)	(9.7)	(8.4)
Return on capital employed (%)	(2.9)	(0.3)	(0.4)	0.2
Turnover ratios				
Asset turnover (x)	1.3	1.2	1.7	2.2
Sales/Total assets (x)	0.3	0.4	0.5	0.6
Sales/Net FA (x)	0.6	0.7	0.9	1.1
Working capital/Sales (x)	0.1	0.0	0.0	0.0
Receivable days	72.7	18.5	18.5	18.5
Inventory days	255.3	121.8	121.8	121.8
Payable days	248.4	122.6	123.6	124.1
Working capital days	23.9	3.6	6.7	9.7
Liquidity ratios				
Current ratio (x)	1.3	1.7	1.6	1.6
Quick ratio (x)	0.6	1.0	0.9	0.9
Interest cover (x)	(1.2)	(0.9)	(0.7)	(0.5)
Total debt/Equity (%)	1.0	0.2	0.2	0.3
Net debt/Equity (%)	0.9	0.1	0.1	0.1
Valuation				
Price/Book (x)	2.9	1.3	1.5	1.6
EV/Net sales (x)	2.3	1.1	1.0	0.8
EV/EBITDA (x)	39.3	12.2	9.8	8.1
EV/EBIT (x)	(22.5)	(16.8)	(21.8)	(30.3)

Source: Company, Axis Securities

Aditya Birla Fashion Price Chart and Recommendation History



Date	Reco	TP	Research
27-May-25	HOLD	85	Result Update
18-Aug-25	HOLD	75	Result Update

Source: Axis Securities Research

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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